



**Request for City Council Committee Action
From the Department of Regulatory Services**

Date: February 5, 2002

To : CM Joe Biernat, Chair Public Safety and Regulatory Services

Referral to: CM Barbara Johnson, Chair Ways and Means

Subject: Adjustments to Chapter 188.250 Related to Food Category Fees

Recommendation

That proposed changes be adopted so that the City recovers true regulatory expenses.

Previous Directives

This is the second half of a budget directive from 2001 to examine 37 miscellaneous license categories. The project was split into two sections, General licenses and Food licenses. The General licenses portion of the study was done in 2001 and the original \$25,000 in revenue proposed was generated.

Prepared or Submitted by: Clara Schmit-Gonzalez, Deputy Director Licenses and Consumer Services

Approved by: 
James Moncur, Director Licenses and Consumer Services

Presenters in Committee: Clara Schmit-Gonzalez, Deputy Director Licenses and Consumer Services
Tim David, Management Analyst, MAD

Financial Impact (Check those that apply)

☐ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): Provides for additional new revenue.

☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals Strong Management C, Develop a long-term sustainable financial

strategy
Comprehensive Plan
Zoning Code
Other

Background/Supporting Information Attached

February 5, 2002

CM Joe Biernat, Chair
Public Safety and Regulatory Services
307 City Hall
Minneapolis, MN 55415

CM Barbara Johnson, Chair
Ways and Means
307 City Hall
Minneapolis, MN 55415

Chair Biernat and Committee Members:

Summary

Attached are documents summarizing the study done of the various food license category fees and the multi-departmental regulatory costs the City incurs with these categories. This was a study done in 2001 in conjunction with the Management Analysis Division as part of a budget direction. Essentially, we found that the City is not recovering its costs in many of these categories and that the divergence between cost and revenue and with fees set by surrounding jurisdictions is significant. We are proposing adjustments that bring costs and revenues better in line, though even these proposals will not cover the entire gap. It is anticipated that the remainder of any adjustment needed will be covered by the assessment of administrative fines to those establishments that have repeat serious problems and with the increase in the new business surcharge.

History

Recognizing that City businesses impact many departments, especially when they are problematic, the City Council directed the Management Analysis Division a couple of years ago to work with the License Division to determine the City costs of regulation across all City departments. We began with a grouping of problem business categories that were taking excessive amounts of resources from several departments. Last year the project involved looking at 37 categories of license which had changed in character over time and which potentially needed adjustments beyond just inflationary adjustments to bring costs and revenues in line. That project was split into two parts, general licenses and food category licenses. The general category licenses were acted on last year and the original projected \$25,000 in additional revenue was realized in that action. Action on the food category licenses was delayed in order to examine how to deal with multiple types of food licenses at one location. It seemed there were some efficiencies and costs savings in travel etc., when this occurred, but further examination was needed to determine how to deal with that issue.

Methodology

Tim David from the Management Analysis Division will be able to elaborate on the methodology used in this study, but it consisted in major part of surveys of inspectors and other employees in many departments that these businesses require services from and in depth interviews by his department with these departments. Additionally, we looked at what other jurisdictions are charging for similar licenses.

Findings

In this study we found that the whole function of ensuring food safety has become much more complex and much more significant in impact than in previous years. While 10 years ago, few people may have had concerns about health threats from raw eggs, now it is very much an issue that every food establishment must deal with. With the expansion of world markets we find our foods come from many different places, and can expose us to health hazards our bodies are not prepared to handle. Additionally, while we are fortunate to have a multitude of ethnic cultures and restaurants in this area, we frequently find that this requires more education of operators about acceptable food handling standards here and this can become further complicated by language barriers. Additionally, since our culture has changed significantly over time with most of our food coming from big manufacturers, when there are food contamination problems, the impact tends to affect larger numbers of people.

Our study determined that food safety is very important, but that for all the reasons listed above, it is taking significantly more City resources than it used to. Therefore, we are recommending some significant increases in food establishment fees as indicated on the attached tables and spreadsheets. We are also recommending a simplification of the various square footage charts used for fee determination. In a few categories, such as short term food permits, the numbers did not seem to warrant an increase and none is recommended. Where multiple food licenses exist at one location, we are recommending that the most expensive category, usually restaurant, food manufacturer or grocery be paid and the remaining be each reduced by one third. Sidewalk café and short term food licenses are exempted from this provision.

The Numbers

Overall, the study indicated that expenses in the food category areas exceeded revenues by \$129,000 with some significant losses in the Food Manufacturer, Meat Market and Restaurant categories. We are proposing license fee adjustments that should bring in an estimated \$101,000 in new license fee revenue. The remaining difference we believe can be addressed with the use of administrative fines to reduce repeat serious problems and with the increase in the new business surcharge.

Margin of Error

Determining appropriate license fees is not an exact science, particularly since other departments do not log their time by our license categories. Therefore, we have used the methods described earlier to try to make as valid an assessment as possible of the City's costs. Additionally, some approximations had to be made of the number of establishments that would fall in each new square footage category, since currently, the only data we have is the top of their current square footage category. If our experience with grocery stores holds true, we will see some establishments measuring their areas more closely and adjusting their size downward. And in economic downturns, we tend to have fewer businesses operating. However, we feel that these adjustments will be covered

by some of the other changes such as the new business surcharge increase. Though there may be some degree of fluctuation, we feel the \$101,000 in new revenue is firm figure.

Recommendations

Therefore, we ask you to approve the license fee adjustments as proposed. These numbers do include the 2% technology surcharge that was a part of this year's budget decision packages. Though that subject matter will be addressed for other categories on March 19th, it is included here in order not to have to address the same categories twice in such a short time, which may have confused our licensees.

Table
Cost and Revenue per License Category

<u>General License Categories</u>	<u>Total FTE, Computer, and Other Costs</u>	<u>License Revenue in 2000</u>	<u>Total Gain/(Loss) to City per License Category</u>
L001, L002, L106, L003: Dry Cleaner, Laundry	22,183	10,829	(11,354)
Dry Cleaner - Flammable			
Dry Cleaner - Non Flammable			
Dry Cleaning Plant - Coin Operated Laundry			
L019: Bowling, Pool, & Billiard All Night SPC	3,411	130	(3,281)
L029: Pool Table	1,015	2,294	1,279
L036: Ice Producer - Dealer/Wholesale	1,152	4,233	3,081
L042: Tree Servicing	4,769	4,812	43
L054: Gasoline Filling Station	31,577	26,443	(5,234)
L070 Skating Rink - Ice, Roller	791	487	(304)
L071: Car Wash	7,919	2,390	(5,529)
L081, L084: Motor Vehicle Used Parts Motor Vehicle Used Parts Dealer	9,369	840	(8,529)
Vehicle Used Parts Dealer, Additional Lot			
L127: Asphalt, Shingles, Roofing Manufact	3,721	408	(3,313)
L141: Resin Manufacturer	7,523	177	(7,346)
L142: Transient Merchant	8,112	450	(7,662)
L276, L277: Solid/Liquid Waste Hauler Solid Waste Hauler Liquid Waste Hauler	9,419	29,269	19,850
L294: Valet Parking	8,821	1,400	(7,421)
L089: Sign Hanger	4,127	5,206	1,079
<u>Food License Categories</u>			
L020: Food All Night Special	2,073	1,045	(1,028)
L103, L160: Food Drive - In Food Drive In Restricted Food Drive In	1,218	2,991	1,773
L114: Food Short Term Permit	26,382	37,764	11,382
L149: Food Manufacturer	112,140	61,852	(50,288)
L151: Food Boarding House	1,676	876	(800)
L152: Food Caterers	12,200	15,024	2,824
L153: Food Confectionary	13,902	10,325	(3,577)
L154: Food Distributor			
L156: Food - Groceteria and Portable Stor	184	-	(184)
L157: Food Meat Market	16,620	9,959	(6,661)
L158: Food Mobile Vendor	4,434	1,776	(2,658)
L159: Food Restaurant	227,298	145,678	(81,620)
L161: Food Sidewalk Café	15,612	20,147	4,535
L255: Suntanning Facility	4,539	2,413	(2,126)
			(163,071)

Proposed New Fees 2002

Sq. Footage	Confectionary And soft drink	Food Manufacturer and Distributor	Meat Market	Restaurant Dining rooms, caterers and Food and Drink Boarding House
1,000 or less	97	255	255	306
1,001 - 3,000	153	306	306	408
3,001 - 5,000	204	357	357	510
5,001 - 7,000	255	408	408	612
7,001 - 9,000	306	459	459	714
9,001 - 11,000	357	510	510	816
11,001 - 13,000	408	561	561	918
13,001 - 15,000	459	612	612	1,020
More than 15,000	510	663	663	1,224

◆ Multiple Food Category Licenses

Establishments having a restaurant, grocery or Food manufacturing license which also have other food category licenses shall have the fees for those other categories, except sidewalk café and short term food, reduced by 1/3. In the instance of any question of which fee shall be reduced, the most expensive shall be paid in full and any others reduced.

- ◆ Vehicle inspection fee shall be adjusted to \$50.
- ◆ New Business Surcharge increased to \$100.
- ◆ Includes 2% technology surcharge.

Proposed New Fees 2002 - Revenue Estimate

# Conf.	Confect ionary And soft drink	Rev. Conf.	# Food Man.	Food Manuf.	Revenue Food Man.	# Meat M.	Meat Market	Revenue Meat Market	# Rest.	Restaurant Dining rooms, caterers and Food and Drink Boarding House	Revenue Rest.
76	97	7364	258	255	65790	63	255	16065	147	306	44982
11	153	1683	84	306	25704	11	306	3366	241	408	98328
0	204	0	0	357	0	4	357	1428	91	510	46410
1	255	255	9	408	3672	3	408	1224	0	612	0
1	306	306	3	459	1377		459		42	714	29988
	357		4	510	2040		510			816	
	408		8	561	4488		561			918	
	459		0	612	0		612			1,020	
89	510		15	663	9945		663			1,224	
Total		9608	381		113016	81		22083	521		219708
2001 Rev		8238			63589			10647			145049
Diff.		1370			49427			11436			74659
Multiple Discount					-1/3			-1/3			-1/5
2002 Est. New Rev.		\$1,370			\$32,621			\$7,547			\$59,727
Grand Total 2002 New Rev.			\$101,265								

Minneapolis	Bloomington	St Paul	Hennepin Co.
<u>Restaurants:</u>			
1000 sq ft \$171	Class A > 4	> 12 seats \$450	> 175 seats \$495
1000-2500 268	employees \$596	< 12 seats 225	< 175 seats 398
2500-5000 340	(addtl to liq license)		Supplements 248
>5000 438	Supplement \$37		
	< 4 employees \$372		
<u>Food manufacturer</u>			
1000 sq ft \$138	>4 employees \$596	> 12 seats \$450	> 175 seats \$495
1001-4000 171	< 4 employees 372	< 12 seats 225	< 175 seats 398
4000-7000 204			
<u>Confectionery</u>			
1000 sq ft \$72	\$96 (all prepackaged)	Retail food estmt*	Candy, chips, nuts
1000-5000 138			\$55
> 5000 171			plus beverages 109
<u>Meat Market</u>			
<1000 sq ft \$105	\$596 – 372	Retail food estmt *	\$302
1000-2500 171	or supplement \$37		or supplement \$151
2500-5000 235			
>5000 308			
<u>Boarding House</u>			
1000 sq ft \$171			\$302
1000-2501 268			
2500-5001 340			
>5000 438			

- St Paul is in the process of defining a retail food establishment and what the license fees will be.

Bloomington raises fees about 2% or more every year.

In Bloomington and Hennepin County, food license fees are **additional** to liquor license fees.

BUSINESS LICENSE: DRIVE-IN & REST DRIVE-IN RESTRICTED

(Ch 188.190) (Lic Codes 160, 103)

April 1 (Rev Code 3115)

REASON FOR CHANGE:

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/ Decrease</u>
Drive-in (Lic Code 160) \$ 308	\$ 308	No change
Drive-in-restricted (Lic Code 103) \$ 65	\$ 65	No change
New business surcharge \$ 65	\$ 100	54%

Pro rated

NOTES:

Lic Code 160 is a Drive-in providing full service frozen confectionery and/or hot foods.
Lic Code 103 can sell popcorn and ice cream. No hot food service.

**BUSINESS LICENSE: FOOD – SHORT-TERM PERMIT and
FOOD - UMBRELLA SHORT-TERM PERMIT**

(Ch 188.1 1 0) (Lic Code 114)

DEFINITION:

Short-Term Food Permit:

Allows the sale/give away of food at a single civic event, good for 14 days or less.

Umbrella Short-Term Food Permit:

Allows an organization or person to sponsor a civic event where vendors are invited.

REASON FOR CHANGE:

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/Decrease</u>
Short-term food permit \$ 65	\$65	No change
Umbrella short-term food permit \$ 65	\$65	No change

Not pro-rated

BUSINESS LICENSE: SEASONAL SHORT TERM FOOD ESTABLISHMENT

(Ch 188.1 1 0)

(Lic Code 261)

(Rev Code 3118)

DEFINITION:

This license permits licensees to operate multiple approved short-term events. (Short term food permits allow sale of food & drink for 14 days or less at fairs, community celebrations, Carnivals, etc. SEE ABOVE). The Seasonal Short-Term licensee must be approved and under the auspices and control of the event.

REASON FOR CHANGE:

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/Decrease</u>
\$172	\$172	No change

Not-prorated

BUSINESS LICENSE: FOOD DISTRIBUTOR

(Ch 188.190) (Lic Code 154) April 1 (Rev Code 31 1 5)

REASON FOR CHANGE:

Revenues will decrease as the State of Minnesota Dept. of Agriculture assumes responsibility for the majority of food distributor businesses per a delegation agreement. Food category fees have not been upgraded in over 10 years and are behind comparable fees charged elsewhere

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/ Decrease</u>	<u>Estimated # Licensees</u>
1000 sq ft or less \$ 138	1000 sq ft or < \$255	85%	10
1001 sq ft to 4000 \$ 171	1,001 sq ft- 3,000 \$306		
4001 sq ft to 7000 \$ 204	3,001 sq ft - 5,000 \$357		
7001 sq ft to 8500 \$ 235	5,001sq ft - 7,000 \$408		
8501 sq ft to 10,000 \$ 268	7,001 sq ft - 9,000 \$459	95%	
10,001 sq ft to 15,000 \$ 303	9,001 sq ft- 11,000 \$510		
15,001 sq ft or more \$ 340	11,001- 13,000 \$561		
	13,001-15,000 \$612		
	>15,000 \$663	95%	
new business \$ 65	\$ 100.00	54%	
surcharge			
each vehicle (for \$ 26	Each vehicle > 1	92%	
perishable products only).	\$ 50.00		

Pro rated

BUSINESS LICENSE: FOOD MANUFACTURER

(Ch 188.190) (Lic Code 149) April 1 (Rev Code 31 1 5)

REASON FOR CHANGE:

Many small food establishments operate in this category with limited seating, but requiring as much Environmental Health inspection time as a restaurant. Food category fees have not been upgraded in over 10 years and are behind comparable fees charged elsewhere.

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/ Decrease</u>	<u>Estimated # Licensees</u>
1000 sq ft or less \$ 138	1000 sq ft or < \$ 255	85%	258
1001 sq ft to 4000 \$ 171	1,001 sq ft- 3,000 \$306		84
4001 sq ft to 7000 \$ 204	3,001 sq ft - 5,000 \$357		
7001 sq ft to 8500 \$ 235	5,001sq ft - 7,000 \$408		9
8501 sq ft to 10,000 \$ 268	7,001 sq ft - 9,000 \$459	95%	3
10,001 sq ft to 15,000 \$ 303	9,001 sq ft- 11,000 \$510		4
15,001 sq ft or more \$ 340	11,001- 13,000 \$561		8
	13,001-15,000 \$612		
	>15,000 \$663	95%	15
new business \$ 65	\$ 100	54%	
surcharge			
each vehicle (for perishable products only). \$ 26	Each vehicle > 1 \$ 50	92 %	

Pro rated

**BUSINESS LICENSE: FOOD -- GROCETERIA & PORTABLE
STORE**

(Ch 295) (Lic Code 156)

April I ((Rev Code 3115)

REASON FOR CHANGE:

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/Decrease</u>
Each Vehicle \$ 406	\$406	No change
Surcharge for new business \$ 65	\$ 100	54%

Pro rated

BUSINESS LICENSE: FOOD -- MEAT MARKET, aka BUTCHER SHOP

(CH 188.190)

(Lic Code 157)

April 1

(Rev Code 3115)

REASON FOR CHANGE:

The number of new ethnic businesses in this license type has increased in recent years. Significant differences in acceptable food handling techniques and language issues have required increased resources needed to license, and regulate this license type. Food category fees have not been upgraded in over 10 years and are behind comparable fees charged elsewhere.

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>		<u>Proposed</u>		<u>Increase/ Decrease</u>	<u>Estimated # Licensees</u>
1000 sq ft or less	\$ 105	1000 sq ft or <	\$ 255	142%	63
1001 sq ft to 2,500	\$ 171	1,001 sq ft-3,000	\$306	79%	11
2,501 sq ft to 5,000	\$ 235	3,001 sq ft - 5,000	\$357	52%	4
Over 5,000 sq ft	\$308	5,001sq ft - 7,000	\$408	32%	3
		7,001 sq ft - 9,000	\$459		
		9,001 sq ft- 11,000	\$510		
		11,001- 13,000	\$561		
		13,001-15,000	\$612		
		>15,000	\$663		
new business	\$ 65	\$ 100		54%	
surcharge					

Pro-rated

BUSINESS LICENSE: FOOD -- MOBILE FOOD VENDOR

(Ch 188.190) (Lic Code 158) April 1

REASON FOR CHANGE:

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>	<u>Proposed</u>	<u>Increase/Decrease</u>
Each vehicle \$ 86	\$86	No change
New business surcharge \$ 65	\$100	54%

Not prorated

BUSINESS LICENSE:**FOOD - RESTAURANT, CAFE, DINING ROOMS** (Lic Code 159)**BOARDING HOUSES** (Lic Code 151)**CATERERS** (Lic Code 152)

(Ch 188.190)

April 1

(Rev Code 3115)

REASON FOR CHANGE:

The number of new ethnic businesses in this license type has increased in recent years. Significant differences in acceptable food handling techniques and language issues have required increased resources needed to license, and regulate this license type. Food category fees have not been upgraded in over 10 years and are behind comparable fees charged elsewhere.

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>		<u>Proposed</u>		<u>Increase/ Decrease</u>	<u>Estimated # Licensees</u>
1000 sq ft or less	\$ 171	1000 sq ft or <	\$ 306	79%	147
1001 sq ft to 2,500	\$ 268	1,001 sq ft-3,000	\$408	52%	241
2,501 sq ft to 5,000	\$ 340	3,001 sq ft - 5,000	\$510	50%	91
Over 5,001 sq ft	\$ 438	5,001sq ft - 7,000	\$612	40%	
		7,001 sq ft - 9,000	\$714	63%	42
		9,001 sq ft- 11,000	\$816		
		11,001- 13,000	\$918		
		13,001-15,000	\$1,020		
		>15,000	\$1,224		
new business	\$ 65	\$ 100.00		54%	
surcharge					
each vehicle (for perishable products only).	\$ 26	Each vehicle > 1 \$ 50.00		92 %	

Pro rated.

BUSINESS LICENSE: FOOD -- CONFECTIONERY

(Ch 188.190)

(Lic Code, 1 53)

April 1

(Rev Code 3115)

REASON FOR CHANGE:

Food category fees have not been upgraded in over 10 years and are behind comparable fees charged elsewhere.

EXISTING FEES and PROPOSED FEES:

<u>Existing</u>		<u>Proposed</u>		<u>Increase/ Decrease</u>	<u>Estimate d # Licensee</u>
1000 sq ft or less	\$ 72	1000 sq ft or <	\$ 97	35%	<u>\$</u> 76
1001 sq ft to 5000	\$ 138	1,001 sq ft- 3,000	\$153		11
5001 sq ft to 7500	\$ 171	3,001 sq ft – 5,000	\$204		
7501 sq ft to 10,000	\$ 235	5,001sq ft – 7,000	\$255		1
10,001 sq ft to 15,000	\$ 268	7,001 sq ft – 9,000	\$306	14%	1
Over 15,000 sq ft	\$ 308	9,001 sq ft- 11,000	\$357		
		11,001- 13,000	\$408		
		13,001-15,000	\$459		
		>15,000	\$510		
new business	\$ 65	\$ 100		54%	
surcharge					

Pro-rated.